ELIAS MOTSOALEDI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

General Information

Legal form of entity	Local municipality
Mayor	Mr. LM Seloane
Councillors	Mr. R Alberts Ms. TS Mahlangu Mr. PM Maroga Mr. EM Masemola Ms. AB Mahlangu Mr. PS Madilaba Mr. JP Kotze Mr. ST Madisa Mr. MM Maepa Mr. JJ Mahlangu Mr. MA Maleka Mr. MF Mahlangu Mr. PK Malemo Mr. AL Masile Ms. MG Mathabathe Mr. TK Mashegoane Ms. RS Matimatjatji Mr. CD Matsepe Mr. MP Modiga Mr. MP Mokgabudi Mr. LJ Mtshweni Mr. T Simelane Ms. HM Motau Ms. DD Makua Ms. WM Matemane Ms. DS Mamaila Ms. MG Phetla

General Information

	Ms. MS Mashilo Mr. TP Fenyane Ms. TS Matsepe Ms. VP Madondo Mr. EK Pholototho Mr. CT Mahlanga Ms. PW Mashu Ms. NC Mathebe Mr. MM Chego Mr. L R Mogale Ms. SL Skosana Mr. LH Tshoma Mr. MJ Kabini Ms. MN Malatji Mr. KW Magaga Mr. KT Ramaube Ms. MK Tshoshane Ms. MS Tshoma Mr. SI Modiga Mr. GD Colett Mr. MP Malatsi Ms. M M Madihlaba Mr. NE Maepa Mr. MJ Mohlala Mr. SD Mabowa Mr. MJ Thokoane Mr. DL Tala Mr. MW Ramphisa
Grading of local authority	Medium capacity municipality
Chief Finance Officer (CFO)	Me. MN Rampedi
Accounting Officer	Mr LJ Kabini
Business address	Civic Centre Groblersdal 0470
Postal address	PO Box 48 Groblersdal 0470
Bankers	ABSA Bank Limited
Auditors	Auditor General

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2011 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality.

The annual financial statements set out on pages 5 to 49, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2010 and were signed on its behalf by:

Mr LJ Kabini
Municipal Manager

31 August 2010

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2010.

1. Review of activities

Main business and operations

Net surplus of the municipality was R 75 173 507 (2009: deficit R 19 894 223).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
Mr LJ Kabini

6. Bankers

The municipality banks primarily with ABSA Bank Limited.

7. Auditors

The Auditor General will continue in office for the next financial period.

8. Public Private Partnership

In accordance with the Public Private Partnership agreement, the Contractor shall open a separate account with a bank registered in the Republic of South Africa, for the purpose of administering and separate safekeeping of:

- moneys deposited as excess surpluses;
- any foreign exchange rate amounts;
- any service credits; and
- any penalties for later service commence mental text.

Statement of Financial Position

Figures in Rand	Note(s)	2010	2009 Restated
Assets			
Current Assets			
Inventories	5	1 671 786	1 104 583
Trade and other receivables from exchange transactions	6	446 101 999	429 279 336
VAT receivable	7	6 139 147	1 988 572
Consumer debtors	8	6 938 167	6 388 701
Cash and cash equivalents	9	50 737 002	62 792 741
		511 588 101	**501 553 933**
Non-Current Assets			
Investment property	3	1 836 000	1 836 000
Property, plant and equipment	4	527 742 058	485 568 874
		529 578 058	**487 404 874**
Total Assets		**1 041 166 159**	**988 958 807**
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	12	16 628 465	9 627 426
Consumer deposits	13	2 805 377	2 378 206
Unspent conditional grants and receipts	11	693 298	7 091 415
Provisions		-	1 578 280
Bank overdraft	9	-	22 417 967
		20 127 140	**43 093 294**
Non-Current Liabilities			
Other financial liabilities	10	2 038 407	2 038 407
Total Liabilities		**22 165 547**	**45 131 701**
Net Assets		**1 019 000 612**	**943 827 106**
Net Assets			
Accumulated surplus		1 019 000 612	943 827 106

Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009 Restated
Revenue			
Fines		658 290	946 969
Government grants & subsidies	17	141 587 665	84 335 939
Interest received - investment	24	6 558 629	8 836 035
Licences and permits		3 238 635	7 023 154
Other income		4 311 065	1 780 769
Property rates	15	10 735 965	6 066 574
Rental of facilities and equipment		1 383 717	600 578
Service charges	16	33 598 508	24 347 453
Total Revenue		**202 072 474**	**133 937 471**
Expenditure			
Bulk purchases	29	(20 606 485)	(12 621 894)
Debt impairment	23	(4 839 680)	(2 462 570)
Depreciation and amortisation	25	(19 443 904)	(56 998 560)
Finance costs	26	(9 579)	(345 568)
General Expenses	19	(24 797 391)	(22 364 153)
Grants and subsidies paid	28	(2 594 684)	(427 970)
Personnel	21	(37 946 074)	(32 723 646)
Remuneration of councillors	22	(11 456 657)	(10 545 931)
Repairs and maintenance		(5 204 513)	(15 341 402)
Total Expenditure		**(126 898 967)**	**(153 831 694)**
Surplus/(deficit) for the year		**75 173 507**	**(19 894 223)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	906 262 279	906 262 279
Adjustments		
Prior year adjustments - refer to note 33 for more detail	57 459 050	57 459 050
Balance at 01 July 2009 as restated	**963 721 329**	**963 721 329**
Changes in net assets		
Surplus for the year	(19 894 223)	(19 894 223)
Total changes	(19 894 223)	(19 894 223)
Opening balance as previously reported	559 076 314	559 076 314
Adjustments		
Prior year adjustments	384 750 791	384 750 791
Balance at 01 July 2009 as restated	**943 827 105**	**943 827 105**
Changes in net assets		
Surplus for the year	75 173 507	75 173 507
Total changes	75 173 507	75 173 507
Balance at 30 June 2010	**1 019 000 612**	**1 019 000 612**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2010	2009
Cash flows from operating activities			
Receipts			
Cash received from Consumers, Goverment and other sources of revenue		179 810 865	137 905 732
Interest income		6 558 629	8 836 035
		186 369 494	146 741 767
Payments			
Cash paid to suppliers, employees and other related services		(114 380 593)	(89 687 451)
Finance costs		(9 579)	(345 568)
		(114 390 172)	(90 033 019)
Net cash flows from operating activities	30	**71 979 322**	**56 708 748**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(61 617 092)	(106 390 912)
Cash flows from financing activities			
Repayment of other financial liabilities		-	(50 557)
Net cash flows from financing activities		**-**	**(50 557)**
Net increase/(decrease) in cash and cash equivalents		**10 362 230**	**(49 732 721)**
Cash and cash equivalents at the beginning of the year		40 374 774	90 107 494
Cash and cash equivalents at the end of the year	9	**50 737 004**	**40 374 773**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. .

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost / (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note .

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the enterprise, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The fair value of investment properties has not been reviewed as the municipality have applied the transitional provisions as set out in Directive 4. The municipality is in the process of determining the the fair value of all its investment properties. A service provider was acquired to assist with the process.

Transitional provision

The municipality changed its accounting policy for investment property in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts, as disclosed in 3. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where investment property was acquired through a transfer of functions, the municipality is not required to measure that investment property for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The

1.2 Investment property (continued)
municipality acquired a transfer(s) of function in 2010 and investment property has accordingly been recognised at provisional amounts, as disclosed in 3.

Until such time as the measurement period expires and investment property is recognised and measured in accordance with the requirements of the Standard of GRAP on Investment property, the municipality need not comply with the Standards of GRAP on:
- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Investment property implies that any associated presentation and disclosure requirements need not be complied with for investment property not measured in accordance with the requirements of the Standard of GRAP on Investment property.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated as the municipality has applied the transitional provisions as set out in Directive

1.3 Property, plant and equipment (continued)

4. The municipality is in the process of determining the residual values and usefull life of all assets. A service provider was acquired to assist with the process.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Land	Indefinite
Buildings	20 - 25 years
Infrastructure	2 - 100 years
Community	5 - 25 years

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Transitional provision

The municipality changed its accounting policy for property, plant and equipment in 2010. The change in accounting policy was made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 4. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 4.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.4 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair

1.4 Financial instruments (continued)
value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at settlement date.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment in other comprehensive income and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to / (from) economic entities

Loans to economic entities are classified as loans and receivables.

Loans from economic entities are classified as financial liabilities measured at amortised cost.

1.4 Financial instruments (continued)

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

1.4 Financial instruments (continued)

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

1.5 Leases (continued)

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.7 Impairment of cash-generating assets

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation / (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation / (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for

1.7 Impairment of cash-generating assets (continued)

individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.8 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.9 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31.

1.9 Provisions and contingencies (continued)

Transitional provision

The municipality changed its accounting policy for provisions, contingent liabilities and contingent assets in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where provisions, contingent liabilities and contingent assets was acquired through a transfer of functions, the municipality is not required to measure that provisions, contingent liabilities and contingent assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and provisions, contingent liabilities and contingent assets has accordingly been recognised at provisional amounts, as disclosed in .

Until such time as the measurement period expires and provisions, contingent liabilities and contingent assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets implies that any associated presentation and disclosure requirements need not be complied with for provisions, contingent liabilities and contingent assets not measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets.

1.10 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.10 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.11 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Accounting Policies

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

Accounting Policies

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.12 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.13 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.14 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is:

(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,

but excludes expenditure by a municipality which falls within the definition of ''unauthorised expenditure''.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Accounting Policies

1.18 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.19 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.20 Presentation of currency

These annual financial statements are presented in South African Rand.

1.21 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.22 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.23 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.24 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity’s decision to terminate an employee’s employment before the normal retirement date; or
  - an employee’s decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;

2. New standards and interpretations (continued)

- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

The impact of this standard is currently being assessed.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an municipality to a portion of another municipality’s net assets in the event of liquidation and, to dividends or similar distributions paid at management’s discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)
financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an municipality can however designate such an instrument to be measured at fair value.

An municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

An municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)
instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

2.2 Standards and Interpretations early adopted

The municipality has not chosen to early adopt any standards and interpretations.

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2010 or later periods:

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

The impact of this standard is currently being assessed.

GRAP 103: Heritage Assets

Grap 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:
- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grap 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grap 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset’s heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset’s carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset’s carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grap 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset’s deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:
- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

The effective date of the interpretation is for years beginning on or after 01 April 2010.

The municipality expects to adopt the interpretation for the first time in the 2011 annual financial statements.

The impact of this interpretation is currently being assessed.

3. Investment property

	2010			2009		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Investment property	1 836 000	-	1 836 000	1 836 000	-	1 836 000

Reconciliation of investment property - 2010

	Opening balance	**Total**
Investment property	1 836 000	1 836 000

Reconciliation of investment property - 2009

	Opening balance	**Total**
Investment property	1 836 000	1 836 000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

Transitional provisions

Due to initial adoption of GRAP 16

Investment property	1 836 000	1 836 000

Steps taken to establish the values of investment property recognised at provisional amounts due to the initial adoption of GRAP 16, is as follows:

The municiplaity will use the services of an accredible service provider which will assist in determining the valuation of the Property, plan and equipment.

The date at which full compliance with GRAP 16 is expected, is 30 June 2011.

4. Property, plant and equipment

	2010			2009		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Land	166 767 178	-	166 767 178	166 767 178	-	166 767 178
Buildings	49 641 928	(5 715 117)	43 926 811	49 005 171	(2 848 262)	46 156 909
Infrastructure	288 218 980	(61 160 884)	227 058 096	235 365 107	(49 241 556)	186 123 551
Community	51 261 040	(4 562 067)	46 698 973	51 261 040	(2 286 601)	48 974 439
Other property, plant and equipment	104 786 021	(61 495 021)	43 291 000	96 659 562	(59 112 765)	37 546 797
Total	**660 675 147**	**(132 933 089)**	**527 742 058**	**599 058 058**	**(113 489 184)**	**485 568 874**

Reconciliation of property, plant and equipment - 2010

	Opening balance	**Additions**	**Depreciation**	**Total**
Land	166 767 178	-	-	166 767 178
Buildings	46 156 909	636 758	(2 866 856)	43 926 811
Infrastructure	186 123 551	52 853 874	(11 919 329)	227 058 096
Community	48 974 439	-	(2 275 466)	46 698 973
Other property, plant and equipment	37 546 797	8 126 460	(2 382 257)	43 291 000
	485 568 874	**61 617 092**	**(19 443 908)**	**527 742 058**

Reconciliation of property, plant and equipment - 2009

	Opening balance	**Additions**	**Depreciation**	**Total**
Land	166 767 178	-	-	166 767 178
Buildings	48 368 414	636 757	(2 848 262)	46 156 909
Infrastructure	137 563 224	97 801 883	(49 241 556)	186 123 551
Community	51 261 040	-	(2 286 601)	48 974 439
Other property, plant and equipment	31 708 730	7 952 272	(2 114 205)	37 546 797
	435 668 586	**106 390 912**	**(56 490 624)**	**485 568 874**

Transitional provisions

Property, plant and equipment recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note certain property, plant and equipment with a carrying value of R 527 742 058 (2009: R 485 568 874) was recognised at provisional amounts. Carrying amounts of property, plant and equipment carried at provisional amounts are as follows:

Due to initial adoption of GRAP 17

	2010	2009
Tangible fixed assets	43 291 000	37 546 797
Infrastructure assets	484 451 058	448 022 077

Steps taken to establish the values of property, plant and equipment recognised at provisional amounts due to the initial adoption of GRAP 17, is as follows:

The municiplaity will use the services of an accredible service provider which will assist in determining the valuation of the Property, plan and equipment.

The date at which full compliance with GRAP 17 is expected, is 30 June 2011.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for

4. Property, plant and equipment (continued)

inspection at the registered office of the municipality.

5. Inventories

Consumable stores	1 671 786	1 104 583

Transitional provisions

Inventories recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note , certain inventories with a carrying value of R 1 671 786 (2009: R 1 104 583) was recognised at provisional amounts. Carrying amounts of inventories carried at provisional amounts are as follows:

Due to initial adoption of GRAP 12

Consumable goods	1 671 786	1 104 583

Steps taken to establish the values of inventories recognised at provisional amounts due to the initial adoption of GRAP 12, is as follows:

The municipality will employ the services of a valuator to accuratly determine the valuation method and valuation of consumables to comply with Grap 12.

The date at which full compliance with GRAP 12 is expected, is 30 June 2012.

6. Trade and other receivables from exchange transactions

Trade debtors (Incl Prepayments)	29 538 396	21 350 649
Deposits	-	206 627
Sekhukhune Debtor	416 563 603	407 722 060
	446 101 999	**429 279 336**

Service level agreement between the District Municipality (water services authority) and the local municipality (water services provider).

7. VAT receivable

VAT	6 139 147	1 988 572

8. Consumer debtors

Gross balances		
Rates	4 114 016	2 235 384
Electricity	4 909 671	2 522 124
Refuse	881 468	246 850
Other - (Interest and other major items)	4 165 279	4 547 182
	14 070 434	**9 551 540**
Less: Provision for debt impairment		
Rates	(2 497 552)	(3 162 839)
Electricity	(1 178 942)	-
Refuse	(624 169)	-
Other - (Interest and other major items)	(2 831 604)	-
	(7 132 267)	**(3 162 839)**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
8. Consumer debtors (continued)		
Net balance		
Rates	1 616 464	(927 455)
Electricity	3 730 729	2 522 124
Refuse	257 299	246 850
Other - (Interest and other major items)	1 333 675	4 547 182
Total net consumer debtors balance	**6 938 167**	**6 388 701**
Rates		
Current (0 -30 days)	852 704	531 608
31 - 60 days	450 717	92 411
61 - 90 days	313 043	162 349
91 - 120 days	-	36 690
	1 616 464	**823 058**
Electricity		
Current (0 -30 days)	1 845 891	1 606 718
31 - 60 days	671 033	409 754
61 - 90 days	263 447	418 794
91 - 120 days	950 358	86 858
	3 730 729	**2 522 124**
Refuse		
Current (0 -30 days)	50 176	135 618
31 - 60 days	16 200	51 877
61 - 90 days	55 845	50 481
91 - 120 days	135 078	8 874
	257 299	**246 850**
Other		
Current (0 -30 days)	1 333 675	1 671 372
31 - 60 days	-	559 652
61 - 90 days	-	542 316
91 - 120 days	-	139 082
121 - 365 days	-	1 634 760
	1 333 675	**4 547 182**

Summary of debtors by customer classification - 2010

Consumers	
Current (0 -30 days)	2 459 304
31 - 60 days	1 231 334
61 - 90 days	571 941
91 - 120 days	379 978
121 - 365 days	1 845 007
> 365 days	2 956 782
	9 444 346
Less: Provision for debt impairment	(5 181 763)
	4 262 583
Industrial/ commercial	
Current (0 -30 days)	1 571 836
31 - 60 days	690 760
61 - 90 days	319 260
91 - 120 days	269 017

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
8. Consumer debtors (continued)		
121 - 365 days		1 318 357
> 365 days		50 842
		4 220 072
Less: Provision for debt impairment		(1 638 216)
		2 581 856
National and provincial government		
Current (0 -30 days)		50 663
31 - 60 days		28 660
61 - 90 days		14 411
91 - 120 days		15 422
121 - 365 days		185 713
> 365 days		111 149
		406 018
Less: Provision for debt impairment		(312 283)
		93 735
Total		
Current (0 -30 days)		4 081 803
31 - 60 days		1 950 753
61 - 90 days		905 612
91 - 120 days		664 417
121 - 365 days		3 349 076
> 365 days		3 118 773
		14 070 434
Less: Provision for debt impairment		(7 132 267)
		6 938 167
Less: Provision for debt impairment		
91 - 120 days		(664 417)
121 - 365 days		(3 349 076)
> 365 days		(3 118 773)
		(7 132 266)
Reconciliation of debt impairment provision		
Balance at beginning of the year	(3 162 839)	(700 269)
Contributions to provision	(3 969 427)	(2 462 570)
	(7 132 266)	**(3 162 839)**

Consumer debtors impaired

As of 30 June 2010, consumer debtors of R 7 132 266 (2009: R 3 162 839) were impaired and provided for.

Figures in Rand	2010	2009

9. Cash and cash equivalents

Cash and cash equivalents consist of:

	2010	2009
Cash on hand	3 312	2 000
Bank balances	50 733 690	62 790 741
Bank overdraft	-	(22 417 967)
	50 737 002	**40 374 774**
Current assets	50 737 002	62 792 741
Current liabilities	-	(22 417 967)
	50 737 002	**40 374 774**

The municipality had the following bank accounts

Account number / description	**Bank statement balances**		**Cash book balances**	
	30 June 2010	**30 June 2009**	**30 June 2010**	**30 June 2009**
ABSA BANK - Cheque Account (Acc no 900000049	1 777 627	5 591 267	122 124	(22 142 984)
ABSA BANK - Cheque (PHP) (Acc no 4058848103)	418 672	2 776 923	892 060	2 776 923
Absa Bank Limited Call Account (Acc no 4068316809)	55 792	7 355	55 792	7 355
Absa Bank 90 Days Notice Deposit (Acc no 2062856079	-	1 400 834	-	1 400 834
Absa Bank Limited 90 Day Deposit (Acc no 2068656526)	-	5 000 000	-	5 000 000
Absa Bank Limited 90 Days Deposit (Acc no 2068656568)	-	5 000 000	-	5 000 000
Absa Bank Limited 90 Days (Acc no2068908040)	2 000 000	10 000 000	2 000 000	10 000 000
First National Bank Limited Call Acc (Acc no 6203305238)	-	98 159	-	98 159
First National Bank Limited: 90 Day Notice Deposit (Acc No 74035036108)	-	5 083 942	-	5 083 942
Nedbank Limited: 90 Day Notice Deposit (Acc No 03/7881068264/000002&4&6)	-	9 000 000	-	9 000 000
Investec Asset Management: Corporate Money Market Fund (Acc No 338545/763175)	20 711 573	-	20 711 573	-
Sanlam Investment Management: Corporate Money Market Fund (Acc No GGMKON)	26 952 141	20 262 263	26 952 141	20 262 263
First National Bank 90 Days Deposit (Acc no 740333050259)	-	3 886 282	-	3 886 282
Total	**51 915 805**	**68 107 025**	**50 733 690**	**40 372 774**

10. Other financial liabilities

Held at amortised cost

	2010	2009
Finance lease liability	2 038 407	2 038 407

Refer to appendix A for more details on the loans.

Non-current liabilities

	2010	2009
At amortised cost	2 038 407	2 038 407

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
MIG	(454 701)	4 361 433
FMG	54	403
MSIG	(72 434)	68 789
Land Affairs	425 210	(289 065)
DPLG Housing Grant	891 946	2 776 923
DME	-	1 066
Ward Committee Grant	(96 777)	-
Premier Infrastructure Grant	-	171 866
	693 298	**7 091 415**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 17 for reconciliation of grants from Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

12. Trade and other payables from exchange transactions

Trade payables	9 034 164	4 885 910
Accrued leave pay	2 999 416	2 862 907
Retention fees	4 594 885	1 878 609
	16 628 465	**9 627 426**

13. Consumer deposits

Deposits held	2 805 377	2 378 206

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

14. Revenue

Property rates	10 735 965	6 066 574
Service charges	33 598 508	24 347 453
Rental of facilities & equipment	1 383 717	600 578
Fines	658 290	946 969
Licences and permits	3 238 635	7 023 154
Government grants & subsidies	141 587 665	84 335 939
	191 202 780	**123 320 667**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	33 598 508	24 347 453
Rental of facilities & equipment	1 383 717	600 578
Licences and permits	3 238 635	7 023 154
	38 220 860	**31 971 185**

The amount included in revenue arising from non-exchange transactions is as follows:		
Property rates	10 735 965	6 066 574
Fines	658 290	946 969
Government grants & subsidies	141 587 665	84 335 939
	152 981 920	**91 349 482**

15. Property rates

Rates received

Residential	5 933 482	1 965 591
Commercial	5 087 322	3 492 054
State	226 034	608 928
Municipal	284 831	-
Small holdings and farms	4 682 793	-
Less: Income forgone	(5 478 497)	-
	10 735 965	**6 066 573**

Valuations

Residential	294 470 659	294 470 659
Commercial	470 838 744	470 838 744
State	82 102 694	82 102 694
Municipal	9 079 028	9 079 028
	856 491 125	**856 491 125**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2007. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2010.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

16. Service charges

Sale of electricity	28 308 048	21 577 026
Sale of water	2 811 810	874 533
Sewerage and sanitation charges	698 154	147 610
Refuse removal	1 780 496	1 748 284
	33 598 508	**24 347 453**

17. Government grants and subsidies

Equitable share	82 493 998	60 648 785
Municipal Infrastructure Grant	19 428 358	18 619 395
Financial Management Grant	750 350	828 874
Municipal Systems Improvement Program Grant	735 000	821 448
LAND AFFAIRS GRANTS	366 750	2 182 035
PREMIERS INFRASTRUCTURE GRANT	171 866	908 469
DPLG Housing Grant	-	656
WARD COMMITTE INSENTIVE	1 011 375	326 277
PHP Income grant	1 917 056	-
NATIONAL ELECTRIFICATION GRANT	1 742 466	-
Sekhukhune District Municipality Asset received	32 970 446	-
	141 587 665	**84 335 939**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant

Balance unspent at beginning of year	4 361 433	3 906 828
Current-year receipts	14 626 000	19 074 000
Conditions met - transferred to revenue	(19 442 134)	(18 619 395)
	(454 701)	**4 361 433**

Conditions still to be met - remain assets (see note 11)

Municipal Finance Management Grant

Balance unspent at beginning of year	403	579 277
Current-year receipts	750 000	250 000
Conditions met - transferred to revenue	(750 349)	(828 874)
	54	**403**

Conditions still to be met - remain liabilities (see note 11)

Municipal Systems Improvement Grant

Balance unspent at beginning of year	68 789	155 238
Current-year receipts	735 000	735 000
Conditions met - transferred to revenue	(876 223)	(821 449)
	(72 434)	**68 789**

Conditions still to be met - remain liabilities (see note 11)

17. Government grants and subsidies (continued)

Land Affairs

	2010	2009
Balance unspent at beginning of year	(289 065)	-
Current-year receipts	1 081 025	1 892 970
Conditions met - transferred to revenue	(366 750)	(2 182 035)
	425 210	**(289 065)**

Conditions still to be met - remain liabilities (see note 11)

DPLG Housing Grant

	2010	2009
Balance unspent at beginning of year	2 776 923	2 612 203
Current-year receipts	-	165 377
Conditions met - transferred to revenue	(1 884 977)	(657)
	891 946	**2 776 923**

Conditions still to be met - remain liabilities (see note 11)

DME

	2010	2009
Balance unspent at beginning of year	1 066	1 066
Conditions met - transferred to revenue	(1 066)	-
	-	**1 066**

Sekhukhune District

	2010	2009
Current-year receipts	914 598	326 277
Conditions met - transferred to revenue	(1 011 375)	(326 277)
	(96 777)	**-**

Conditions still to be met - remain liabilities (see note 11)

NATIONAL ELECTRIFICATION GRANT

	2010	2009
Current-year receipts	1 742 466	-
Conditions met - transferred to revenue	(1 742 466)	-
	-	**-**

Sekhukune District Assets

	2010	2009
Current-year receipts	32 970 446	-
Conditions met - transferred to assets	(32 970 446)	-
	-	**-**

Conditions still to be met - remain liabilities (see note 11)

Premier Infrastructure Grant

	2010	2009
Balance unspent at beginning of year	171 866	1 080 335
Conditions met - transferred to revenue	(171 866)	(908 469)
	-	**171 866**

Conditions still to be met - remain liabilities (see note 11)

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

18. Other revenue

Other income	4 311 065	1 780 769

19. General expenses

Advertising	275 682	266 926
Auditors remuneration	2 055 758	2 550 848
Bank charges	189 548	108 892
Chemicals	77 165	137 858
Community services	835 694	688 708
Conferences and seminars	573 271	435 904
Consulting and professional fees	6 638 176	5 606 109
Consumables	982 083	1 044 569
Delegates expenditure	366 750	2 182 035
Donations	-	115 266
Electricity	300	501 937
Entertainment	199 483	172 670
IT expenses	18 462	61 298
Insurance	701 414	753 010
Lease rentals on operating lease	1 784 610	(7 986)
Marketing	24 300	88 601
Motor vehicle expenses	1 156 920	1 188 624
Pest control	19 383	11 808
Postage and courier	82 950	103 051
Printing and stationery	657 578	711 924
Protective clothing	95 112	50 614
Refuse	1 316 725	481 306
Security (Guarding of municipal property)	2 135 096	1 507 394
Sewerage and waste disposal	-	4 197
Staff welfare	5 587	-
Stock adjustment	178 231	-
Subscriptions and membership fees	319 073	163 420
Telephone and fax	2 481 127	1 994 582
Town planning	921 053	520 000
Training	409 471	332 993
Travel - local	268 707	340 332
Uniforms	27 682	62 583
Water	-	184 680
	24 797 391	**22 364 153**

20. Operating surplus/(deficit)

Operating surplus/(deficit) for the year is stated after accounting for the following:

Operating lease charges		
Premises		
• Contractual amounts	-	17 426
Motor vehicles		
• Contractual amounts	-	76 999
Equipment		
• Contractual amounts	1 784 610	(102 411)
	1 784 610	**(7 986)**

Depreciation on property, plant and equipment	19 443 904	56 998 560
Employee costs	49 402 731	43 269 577

Figures in Rand	2010	2009

21. Employee related costs

Basic	24 848 009	20 459 190
Medical aid - company contributions	1 921 379	1 482 308
UIF	249 925	315 890
SDL	358 671	423 720
Leave pay provision charge	1 977 728	2 974 608
Post-employment benefits - Pension - Defined contribution plan	5 247 549	4 227 516
Overtime payments	717 527	730 308
Acting allowances	75 485	-
Transport allowance (bus coupons)	2 510 498	2 062 367
Post retirement contributions	39 303	47 739
	37 946 074	**32 723 646**

Included in the above balances is remuneration for the following municipal employees:

Remuneration of municipal manager

Annual Remuneration including benefits and allowances	557 633	506 953
Car Allowance	90 000	90 000
Performance Bonuses	73 010	-
Contributions to Pension Funds	121 706	162 093
Travelling and Subsistance	2 187	-
Contribution to Medical Aid	53 489	-
Contribution to UIFand SDL	8 019	-
	906 044	**759 046**

Remuneration of chief finance officer

Annual Remuneration including benefits and allowances	513 388	477 063
Car Allowance	101 499	101 500
Contributions to UIF, Medical and Pension Funds	8 222	-
Contribution to UIFand SDL	7 232	2 371
	630 341	**580 934**

Corporate and human resources (corporate services)

Annual Remuneration including benefits and allowances	448 348	421 937
Car Allowance	82 909	65 005
Contributions to UIF, Medical and Pension Funds	33 628	34 765
Travelling and Subsistance	9 289	-
Contribution to UIFand SDL	6 243	-
	580 417	**521 707**

Health, safety and social services (emergency management services)

Annual Remuneration including benefits and allowances	330 287	521 707
Car Allowance	73 816	-
Performance Bonuses	19 267	-
Contributions to Pension Funds	50 646	-
Contribution to Medical Aid	35 926	-
Contribution to UIFand SDL	1 168	-
	511 110	**521 707**

Procurements and infrastructure (planning, transport and environmental affairs)

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

21. Employee related costs (continued)

Annual Remuneration including benefits and allowances	484 293	531 025
Car Allowance	84 000	-
Contribution to UIFand SDL	6 945	-
	575 238	**531 025**

Economic Development and Planning

Annual Remuneration including benefits and allowances	573 574	521 202

22. Remuneration of councillors

Executive Mayor	571 810	518 699
Speaker	480 834	421 758
Councillors	10 404 013	9 605 474
	11 456 657	**10 545 931**

23. Debt impairment

Contributions to debt impairment provision	4 839 680	2 462 570

24. Investment revenue

Interest revenue		
Bank and investments	5 702 321	8 364 832
Interest charged on trade and other receivables	856 308	471 203
	6 558 629	**8 836 035**

25. Depreciation

Property, plant and equipment	19 443 904	56 998 560

26. Finance costs

Trade and other payables	-	344 968
Bank and long term loans	9 579	600
	9 579	**345 568**

27. Auditors' remuneration

Fees	1 658 618	1 439 020
Consulting	-	285 833
Expenses	397 140	825 995
	2 055 758	**2 550 848**

28. Grants and subsidies paid

Other subsidies		
Indigent grants	677 628	427 970
PHP Expenditure	1 917 056	-
	2 594 684	**427 970**

Figures in Rand	2010	2009

29. Bulk purchases

Electricity	20 606 485	12 621 894

30. Cash generated from/(used in) operations

Surplus / (deficit)	75 173 507	(19 894 223)
Adjustments for:		
Depreciation	19 443 904	56 998 560
Debt impairment	4 839 680	2 462 570
Movements in provisions	(1 578 280)	1 578 280
Changes in working capital:		
Inventories	(567 203)	(2 074 459)
Trade and other receivables from exchange transactions	(16 822 663)	9 310 349
Consumer debtors	(5 389 146)	(403 590)
Trade and other payables from exchange transactions	7 001 044	7 296 294
VAT	(4 150 575)	(5 656 448)
Unspent conditional grants and receipts	(6 398 117)	7 091 415
Consumer deposits	427 171	-
	71 979 322	**56 708 748**

31. Contingencies

There is no reimbursement from any third parties for potential obligations of the municipality.

Unfilled conditions and other contingencies attaching to government grants related to agricultural activity.

32. Related parties

Relationships	
Accounting Officer	Refer to accounting officer's report note
Post employment benefit plan for employees of entity and/or other related parties	Municipal Gratuity Fund

33. Prior period errors

The following prior year error was identified and adjusted retrospectively:

- The financial statements materialy disagreed with the final trial balance. The adjustments was accounted for and the following restatement occurred. The trail balance was the official source of the municipality.
- Water and sanitation assets, liabilities, income and expenditure was included in the results of the municipality, these results should have been recorded in the District Municipality's accounts as per the WSP.
- Bank overdraft was included under trade and other payables.
- Land was accounted for under Inventories and Property, plant and equipment.
- Unspent conditional grants were overstated as conditions that were satisfied were not transferred to revenue.
- No provision for land fill site was made.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Inventory	-	(16 436 033)
	-	-
VAT receivable	-	1 988 572
Consumer debtors	-	(1 750 513)
Trade and other receivables from exchange transactions	-	406 076 435
Opening Accumulated Surplus or Deficit	-	(443 250 118)
Trade and other payables	-	18 006 143
Property, plant and equipment	-	(2 187 152)
Loans and receivables	-	(14 498)
Investment property	-	1 836 000
Unspent conditional grants and receipts	-	4 306 768

Figures in Rand	2010	2009

33. Prior period errors (continued)

Bank overdraft	-	(22 417 967)
Provisions	-	(1 578 280)
Interest bearing borrowings	-	(2 038 407)
	-	**(57 459 050)**

Statement of financial performance

Property rates	-	(18 323)
Service charges	-	6 132 210
Investment Revenue – external investments	-	(560 409)
Interest earned – outstanding debtors	-	471 203
Fines	-	(240 070)
Licenses and permits	-	(7 023 154)
Income from agency services	-	4 979 477
Other income	-	189 697
Grants and subsidies paid	-	427 970
Depreciation	-	56 998 560
Employee related costs	-	(2 068 504)
Repairs and maintenance	-	2 516 265
Finance cost	-	340 731
Bulk purchases	-	(699 229)
General expenses	-	(1 702 472)
Contracted services	-	(2 284 902)
		57 459 050

34. Comparative figures

Where necessary, comparitive figures have been reclassified to conform to changes in presentation in the current year.

35. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes , 10, cash and cash equivalents disclosed in note 9, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the municipality may adjust the amount of dividends paid to members, return capital to members, issue new shares or sell assets to reduce debt.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

35. Risk management (continued)

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

36. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

37. Unauthorised expenditure

Unauthorised expenditure	-	2 506 448

Unauthorised expenditure relates amounts where actual expenditure exceeded the budgeted funds.

38. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	8 448	269 751
Condoned by council	-	(269 751)
	8 448	**-**

Current year fruitless and wasteful expenditure relates to penalties and interest on the late payment of suppliers.

39. Irregular expenditure

Add: Irregular Expenditure - current year	172 293	3 073 413

Analysis of expenditure awaiting condonation per age classification

Details of irregular expenditure – current year

-

Details of irregular expenditure condoned

	Condoned by Council	
Refuse Removal extention on month to month		688 040
Security Services on month to month		1 626 198
Insurance - One Year extention		759 175
		3 073 413

Details of irregular expenditure recoverable (not condoned)

-

Figures in Rand	2010	2009

39. Irregular expenditure (continued)

Details of irregular expenditure not recoverable (not condoned)

Municipal System Act not adhered to	151 007
Supply Chain Management regulations not adhered to	21 286
	172 293

40. Additional disclosure in terms of Municipal Finance Management Act

SALGA Fees

	2010	2009
Current year subscription / fee	352 470	364 837
Amount paid - current year	(352 470)	(364 837)
	-	-

PAYE and UIF

	2010	2009
Current year subscription / fee	4 713 615	4 988 095
Amount paid - current year	(4 713 615)	(4 988 095)
	-	-

Pension and Medical Aid Deductions

	2010	2009
Current year subscription / fee	11 277 973	6 856 390
Amount paid - current year	(11 277 973)	(6 856 390)
	-	-

VAT

	2010	2009
VAT receivable	6 139 147	1 988 572

VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. No deviation was identified.

41. Utilisation of Long-term liabilities reconciliation

	2010	2009
Long-term liabilities raised	2 038 407	2 038 407

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

42. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix D for the comparison of actual operating expenditure versus budgeted expenditure.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

43. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.
Appendix B: Analysis of property, plant and equipment

Elias motsoaledi local municipality
Elias motsoaledi local municipality
Appendix B
June 2010

Analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	166 767 178	-	-	-	-	**-**	**166 767 178**	-	-	-	-	-	**-**	166 767 178
Buildings	46 156 909	636 757	-	-	-	**-**	**46 793 666**	-	-	-	(2 866 855)	-	**(2 866 855)**	43 926 811
	212 924 087	**636 757**	**-**	**-**	**-**	**-**	**213 560 844**	**-**	**-**	**-**	**(2 866 855)**	**-**	**(2 866 855)**	**210 693 989**
Infrastructure														
All related infrastructure	186 123 551	52 853 873	-	-	-	**-**	**238 977 424**	-	-	-	(11 919 328)	-	**(11 919 328)**	227 058 096
Other 1	660 675	-	-	-	-	**-**	**660 675**	(132 933)	-	-	-	-	**(132 933)**	527 742
	186 784 226	**52 853 873**	**-**	**-**	**-**	**-**	**239 638 099**	**(132 933)**	**-**	**-**	**(11 919 328)**	**-**	**(12 052 261)**	**227 585 838**
Community Assets														
All community assets	48 974 439	-	-	-	-	**-**	**48 974 439**	-	-	-	(2 275 466)	-	**(2 275 466)**	46 698 973
	48 974 439	**-**	**-**	**-**	**-**	**-**	**48 974 439**	**-**	**-**	**-**	**(2 275 466)**	**-**	**(2 275 466)**	**46 698 973**

Elias motsoaledi local municipality
Elias motsoaledi local municipality
Appendix B
June 2010

Analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Specialised vehicles														
Other assets														
General assets	37 546 797	8 126 459	-	-	-	**-**	**45 673 256**	-	-	-	(2 382 256)	-	**(2 382 256)**	43 291 000
	37 546 797	**8 126 459**	**-**	**-**	**-**	**-**	**45 673 256**	**-**	**-**	**-**	**(2 382 256)**	**-**	**(2 382 256)**	**43 291 000**
Total property plant and equipment														
Land and buildings	212 924 087	636 757	-	-	-	**-**	**213 560 844**	-	-	-	(2 866 855)	-	**(2 866 855)**	210 693 989
Infrastructure	186 784 226	52 853 873	-	-	-	**-**	**239 638 099**	(132 933)	-	-	(11 919 328)	-	**(12 052 261)**	227 585 838
Community Assets	48 974 439	-	-	-	-	**-**	**48 974 439**	-	-	-	(2 275 466)	-	**(2 275 466)**	46 698 973
Other assets	37 546 797	8 126 459	-	-	-	**-**	**45 673 256**	-	-	-	(2 382 256)	-	**(2 382 256)**	43 291 000
	486 229 549	**61 617 089**	**-**	**-**	**-**	**-**	**547 846 638**	**(132 933)**	**-**	**-**	**(19 443 905)**	**-**	**(19 576 838)**	**528 269 800**
Agricultural/Biological assets														
Intangible assets														
Investment properties														
Investment property	1 836 000	-	-	-	-	**-**	**1 836 000**	-	-	-	-	-	**-**	1 836 000
	1 836 000	**-**	**-**	**-**	**-**	**-**	**1 836 000**	**-**	**-**	**-**	**-**	**-**	**-**	**1 836 000**
Total														
Land and buildings	212 924 087	636 757	-	-	-	**-**	**213 560 844**	-	-	-	(2 866 855)	-	**(2 866 855)**	210 693 989
Infrastructure	186 784 226	52 853 873	-	-	-	**-**	**239 638 099**	(132 933)	-	-	(11 919 328)	-	**(12 052 261)**	227 585 838
Community Assets	48 974 439	-	-	-	-	**-**	**48 974 439**	-	-	-	(2 275 466)	-	**(2 275 466)**	46 698 973
Other assets	37 546 797	8 126 459	-	-	-	**-**	**45 673 256**	-	-	-	(2 382 256)	-	**(2 382 256)**	43 291 000
Investment properties	1 836 000	-	-	-	-	**-**	**1 836 000**	-	-	-	-	-	**-**	1 836 000
	488 065 549	**61 617 089**	**-**	**-**	**-**	**-**	**549 682 638**	**(132 933)**	**-**	**-**	**(19 443 905)**	**-**	**(19 576 838)**	**530 105 800**

Supplementary information

Appendix F: Disclosure of grants and subsidies in terms of the Municipal Finance Management Act

Elias motsoaledi local municipality
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2010

Name of Grants	Quarterly Receipts				Quarterly Expenditure						Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
	Jul	Sep	Jan	Mar	Jul	Sep	Dec	Mar	Jun	Jun	Yes/ No
MSIG	735 000	-	-	-	-	77 326	195 100	96 362	371 471	-	Yes
MIG	5 108 000	6 800 000	98 000	829 000	784 112	2 600 672	3 752 098	4 502 740	7 788 737	-	Yes
FMG	750 000	-	-	-	-	-	115 465	70 650	602 910	-	Yes
Land Affairs	1 081 025	-	-	-	289 065	-	-	366 750	-	25 210	Yes
Housing Grant	-	-	-	-	-	-	-	171 866	-	-	Yes
Premier Infras	-	-	-	-	-	925 123	61 854	-	900 080	91 946	Yes
DME	-	-	-	-	-	-	-	-	1 066	-	Yes
Ward Committee	-	914 598	-	-	-	-	315 781	751 031	244 563	-	Yes
	7 674 025	7 714 598	98 000	829 000	1 073 177	3 603 121	4 440 298	5 959 399	9 908 827	17 156	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.